



# Memorandum

**TO: HONORABLE MAYOR  
AND CITY COUNCIL**

**FROM: Scott P. Johnson**

**SUBJECT: FISCAL YEAR 2004-05 PROPERTY TAX LEVY FOR GENERAL  
OBLIGATION BONDS**

**DATE: July 27, 2004**

Approved

Date

7-29-04

**COUNCIL DISTRICT: City-Wide**

## **RECOMMENDATION**

Adoption of a resolution establishing the FY 2004-05 property tax levy for all taxable property for general obligation bonded indebtedness.

## **BACKGROUND**

At the City's general election held on November 7, 2000, voters approved Measure O (Neighborhood Libraries Bond) and Measure P (Safe Neighborhood Parks & Recreation Bonds) in the not-to-exceed respective amounts of \$211,790,000 and \$228,030,000 authorizing the issuance of general obligation bonds.

On May 15, 2001, the City Council approved the issuance of the first series of general obligation bonds pursuant to Measure O (2000) and Measure P, in the amount of \$71 million (\$31 million for neighborhood libraries and \$40 million for neighborhood parks and recreation). The bond sale occurred on May 23, 2001 and bond closing was on June 6, 2001.

At the City's general election held on March 5, 2002, voters approved Measure O (911, Fire Police, Paramedic and Neighborhood Security Act) in the not-to-exceed amount of \$159,000,000 authorizing the issuance of general obligation bonds.

On June 11, 2002, the City Council approved the issuance of general obligation bonds including the second series of general obligation bonds under Measure O (2000) and Measure P, and the first series of general obligation bonds under Measure O (2002), in the aggregate amount of \$116.090 million (\$30 million for neighborhood libraries, \$46.715 million for neighborhood parks and recreation and \$39.375 million for public safety). The bond sale occurred on July 10, 2002 and bond closing was on July 18, 2002.

On June 8, 2004, the City Council approved the issuance of general obligation bonds including the third series of general obligation bonds under Measure O (2000) and Measure P, and the second series of general obligation bonds under Measure O (2002), in the aggregate amount of \$118.7 million (\$58.3 million for neighborhood libraries, \$45.0 million for neighborhood parks and recreation and \$14.4 million for public safety). The bond sale occurred on June 29, 2004, and bond closing was on July 14, 2004.

The voter authorizations and bond issuances are summarized in the following table.

City of San José General Obligation Bonds Authorization Level and Issuance Amounts						
Date of Election	Projects	Initial Authorization	Series 2001	Series 2002	Series 2004	Remaining Authorization
11/07/2000	Libraries	\$211,790,000	\$31,000,000	\$ 30,000,000	\$ 58,300,000	\$ 92,490,000
11/07/2000	Parks/Recreation	228,030,000	40,000,000	46,715,000	46,000,000	95,315,000
03/05/2002	Public Safety	159,000,000	0	39,375,000	14,400,000	105,225,000
		\$598,820,000	\$71,000,000	\$116,090,000	\$118,700,000	\$293,030,000

## **ANALYSIS**

The Bonds are general obligations of the City. In accordance with all relevant provisions of law, including Chapter 14.28 of the Municipal Code, the City is obligated to levy ad valorem taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxed at limited rates), for the payment of the Bonds and the interest thereon. The City is obligated to direct the County of Santa Clara to collect such ad valorem taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service on the Bonds. Debt service payments on the Bonds are due each year on March 1 and September 1.

The amount of the annual ad valorem tax levied by the City to repay the Bonds is determined by the relationship between the assessed valuation of all taxable property in the City and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds, future general obligation bond issuances and changes in the assessed value of taxable property in the City will cause the annual tax rate to vary each year. In order for the County to place the tax levy on the FY 2004-05 property tax bill it is necessary for the City Council to adopt a resolution approving the tax rate for FY 2004-05. The FY 2004-05 tax rate is based on the debt service payable on March 1 and September 1, 2005. The City must submit this tax rate to the County no later than August 6, 2004.

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The total tax levy to be collected in FY 2004-05 will cover the March 1 and September 1, 2005 debt service payments of \$24,708,774. Additionally, the levy covers the County administrative fee estimated at \$61,772, which is 0.25% of the total collections. The Secured and Utility Net Assessed Value for FY 2004-05 is \$85,038,813,170. The tax rate for the secured and utility tax roll for FY 2004-05 is 0.02470 per \$100 in assessed value. The unsecured roll is included in the calculation for the Series 2001 and 2002 Bonds for the FY 2004-05 levy. The Unsecured Net Assessed Value for FY 2004-05 is \$6,824,159,166. The tax rate for the unsecured tax roll for FY 2004-05 is 0.01290 per \$100 in assessed value.

For a single-family home with a net assessed value of \$200,000 the tax levy is \$49.40 for FY 2004-05, as compared to \$25.80 for FY 2003-04. This difference is due to increased debt service from the issuance of the Series 2004 GO Bonds.

### **PUBLIC OUTREACH**

At the City's general election held on November 7, 2000, the voters approved Measure O (Neighborhood Libraries Bond) and Measure P (Safe Neighborhood Parks & Recreation Bonds) in the not-to-exceed respective amounts of \$211,790,000 and \$228,030,000 authorizing the issuance of general obligation bonds.

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### **COORDINATION**

This report was prepared by the Finance Department in coordination with the City Manager's Budget Office and the City Attorney's Office.

### **COST IMPLICATIONS**

The adopted tax levy will be placed on the FY 2004-05 tax roll and will be sufficient to pay debt service due on the Series 2001, Series 2002, and Series 2004 General Obligation Bonds in March and September 2005 and to pay the County's annual administrative fee.

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**CEQA**

**Not a Project**

  
for  
SCOTT P. JOHNSON  
Director, Finance Department